

A Year of Achievement



**KNOWLEDGE
NETWORK**

Annual Report 1986-87

A Year of Achievement



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President
Glen M. Farrell

General Manager
Lucille Pacey



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On the Cover: Scenes from
"Children of the Dog Star"
"Where There's Life"
"New Pacific"



Chairman's Message



Board of Directors

Walter G. Hardwick, Chairman,
Vancouver.

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Diane Kerr, *Kamloops,*

Donna Mackey, *West Vancouver,*

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Jacqueline Riches, *Invermere,*

J. Fred Weber, *Vancouver*



The Honourable Stanley Hagen
Minister of Advanced Education and Job Training
Parliament Buildings,
Victoria, B.C.

Dear Mr. Minister,

It is my pleasure to submit to you the 1986-87 Annual Report of the Knowledge Network of the West Communications Authority. It was a year of achievement!

In cooperation with colleges, universities, school districts and others, we continue to serve learners throughout British Columbia. This year we increased the number of hours of television programming and broadened our audience.

Innovation and change remained hallmarks of our activities. We struck new partnerships for development of educational programming. We launched a pilot project to help British Columbians understand the changing nature of learning and work in today's society. And we moved toward amalgamation with the Open Learning Institute to form the Open Learning Agency.

The year saw the departure of Kathleen Forsythe, our founding Executive Director of Learning Systems. Kathleen's vision and energy defined much of what the Network has grown to be. On behalf of the Board of Directors I offer her thanks and best wishes for continued success in new endeavours she has chosen.

Contributions of the enormously dedicated staff and Board who continue to serve the Network are the fabric of this Annual Report. It has been my privilege to work with them in our exciting new enterprise, leading the way to new educational achievements of tomorrow.

Yours truly,

Walter G. Hardwick
Chairman

President's Message



A Year of
Achievement
1986-87

For the Knowledge Network 1986-87 was a year of important achievements. Through cooperation with the British Columbia education system, and as a key contributor to Canada's second tier of public broadcasting, we have put telecommunications to greater service in open learning.

Our most satisfying accomplishments have come through partnerships with others. We have joined colleges, universities and school districts to develop new television based learning. And with some of them we have explored applications for new telecommunications and computer technologies in education.

In cooperation with the cable television industry we have realized a long-held goal of clear channel service throughout B.C. on the basic cable band. With this achievement and the continued support of volunteers operating small community transmitters under the PEETS program, the Network now serves some 95% of viewers in British Columbia.

Across Canada we have joined with other educational telecommunications organizations to seek new cooperative ventures for program development. Our goal is broader opportunities for talented Canadians in the rapidly growing field of open learning.

Much of this work has been directed by Lucille Pacey, who became General Manager of the Knowledge Network in October 1986. Under her leadership the organization has continued to achieve steadily improved service to British Columbians.

A gratifying reflection of that success appears in responses from our viewers, some of which are presented in this report. As we continue to build and grow, those reactions will guide our efforts toward future years of achievement.

Glen M. Farrell
President



A Year of Achievement.

Everyday the Knowledge Network is challenged to provide a tapestry of learning opportunities to meet the varied needs of British Columbians.

We begin with a broad foundation of general interest and children's programming designed to satisfy both educational and entertainment demands of casual learners. This group comprises our largest program audiences for such series as "National Geographic", "Moneysworth" and "Polka Dot Door".

Other viewers look to the Network for enrichment through formal, self-directed learning. Still others tune in to programs attending the special needs of professional development and upgrading.

The Network also serves those engaged in traditional, structured learning directed toward a diploma, certificate, undergraduate or graduate degree. This group makes up some of our smallest, yet highly important audience.

Truly the Network offered a rich menu of learning opportunities during 1986-87. Images reflecting several of them are presented on these pages, together with some of the many responses received from our viewers.



"I particularly enjoy Knowledge Network's nature and science programs, for example, the National Geographic specials. . . ."

J.F., Cranbrook, B.C.

"Today I watched your writing program on the Knowledge Network, and am now very excited about the possibility of going to school in January. Until seeing your tv programme, I had decided that any hope of study was impossible for me."

C.G., Hope, B.C.



"My kids really enjoy your children's programs. Please bring back Dr. Snuggles!"

S.T., Kelowna, B.C.

"We do like studying in this way. Time and energy are saved by not having to travel and yet still there remains the sense of being one of a group of learners."

E.B., Victoria, B.C.



"My husband and I are regular viewers of Knowledge Network in Kelowna and we enjoy it very much. I'm a big fan of 'Sewing Power'!"

H.H., Kelowna, B.C.

"I enjoy Knowledge Network programming tremendously. Keep up the good work!"

D.W., Sidney, B.C.



"The historical programs broadcast on the Knowledge Network are both educational and entertaining."

E.M., Vancouver, B.C.

"More and more I enjoy this course. It is enriching my life while teaching me to see."

R.C., Richmond, B.C.

"The nature and children's programs offered by the Knowledge Network are very much appreciated."

Mrs. L.H., Kamloops, B.C.

"The programming you people offer is just tremendous. The Knowledge Network has a lot of fans in Castlegar."

O.H., Castlegar, B.C.





A Year of Achievement.

Discover GOOD TELEVISION!

It was a year of change, growth and achievement for the Knowledge Network. Communications services were broadened and refined. New services were explored and adopted. And stronger partnerships were forged to provide training, information and education to British Columbians.

In many ways the Network realized its objective of becoming a multi-purpose telecommunications organization serving workplaces, schools and homes of the province. More people participated in more programs and activities than ever before. The result was a promise fulfilled: the Network was more than good television!

Achievements in Service

The Knowledge Network's public educational television service is familiar to British Columbians. During the past year, that service was expanded. In response to requests from educational institutions the Network added two and one-half



Operators Brice Dowd and Bob Church ready equipment for telecast. The Network now provides 16.5 hours of service daily.

hours telecasting each day. This provided more airtime for telecourses and also allowed the Network to offer a more complete program schedule for children. Sign-on was moved to 6:30 a.m. from 9:00 a.m., adding new viewers to the Network's regular audience.

More viewers were given the opportunity to take advantage of the programming when cable television operators in Victoria and Vancouver moved the Network's signal from the converter band to basic cable service. With minor exceptions, the Knowledge Network now serves every cable television subscriber in B.C. on the basic service, a major achievement six years in the making!



Administrative Assistant Doris Warkentin responded to thousands of requests for program information when the Knowledge Network moved to Channel 10 in Victoria.

Achievements through Cooperation

Many programs on the Knowledge Network are developed in cooperation with British Columbia school districts, colleges, universities, government ministries, non-profit societies, the private sector and others. Achievements during the year were exemplified by successful creation of a new telecourse titled, "Colour — An Introduction" in cooperation with Emily Carr College of Art and Design (ECCAD) and the Open Learning Institute (OLI). The course provides new learning opportunities for painters, designers, fashion coordinators and others who work with colour for communication, expression and personal enrichment. Network Producer/Director Bernard Motut worked with internationally recognized art educator Tom Hudson to create this outstanding new course, the first of four foundation courses in art.

Other cooperative achievements included "The Great Escape", a program to teach children and families how to plan ahead for unexpected fire emergencies. Greater Vancouver Fire Chiefs supported the project, raising funds to supply every B.C. school district with a copy of the Network program plus printed materials for classroom teachers. An extraordinary cooperative achievement!

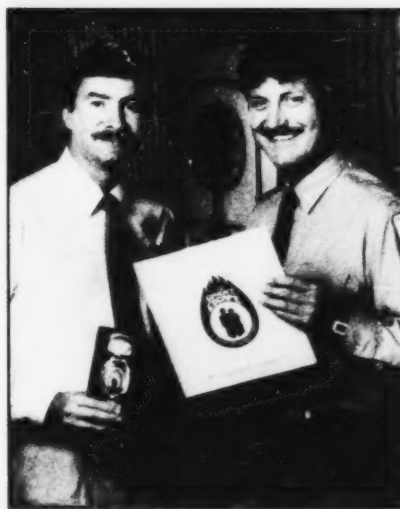


Colour authority Tom Hudson and Producer/Director Bernard Motut with student learning materials for the new Telecourse "Colour — An Introduction"

A dozen other non-profit associations and five government agencies received Network cooperation during the year. Manager of Program Development, Alexandra MacGregor assisted them with productions ranging from "Myths About Parole" (National Parole Board) to "No Fears . . . No Tears" (Canadian Cancer Society). Programmers received assistance with concept and proposal development, funds acquisition and pre/post production services where possible.

This "Access Programming", coupled with programming assistance provided to North Island College, Simon Fraser University, the Justice Institute of British Columbia and other educational institutions, totalled 170.5 hours of original production.

Much of this work was completed in cooperation with independent television producers. Funding of approximately \$170,000 from the Ministry of Advanced Education, Open University Consortium of B.C. and Government of British Columbia flowed through to the private sector. A further \$400,000 moved into the private sector as a result of educational institution and other agency projects developed in partnership with the Network.



Program Development Manager Mike Reddington worked with Richmond Public Fire Education Officer Loren Slye on "The Great Escape".



A Year of Achievement.



Electronic Field Production brought dramatic new B.C. scenes to Network viewers, from areas inaccessible to most travellers.

Achievements in General Programming

Several new dimensions were added to general programming during the year, in both original production and acquired programming categories. Electronic Field Production (EFP) projects took crews to several regions of the province never previously visited by the Network. Communities including Atlin, Telegraph Cove, and the Bowron Lakes area of Tweedsmuir Provincial Park are now familiar to Network viewers as a result of forays by Network Director/Producer David Billman and other production staff.

The acclaimed "B.C. Moments" series was enriched

with a dozen new titles, including Max Lindenthaler's outstanding study of killer whales in Robson Bight and "West Coast Castles", a portrait of architect John Kay's interesting B.C. residences.

Of particular note was artist Ted Harrison's, "The Blue Raven — An Arctic Legend". Mr. Harrison wrote the story, illustrated it with 15 original paintings, then personally narrated the six minute work for television. The result was a new type of collaborative achievement for the Network and excellent creative programming for British Columbia.

For material produced

elsewhere, Network Manager of Program Development, Michael Reddington devised a new, B.C. focus. The autumn's "Great Composers" series, a collection of mostly British productions, was given "value added" treatment by Vancouver music authority Peter McCoppen. He offered local interest and perspective with introductory and epilogue comments shot on location in Vancouver's renowned Orpheum Theatre.



Music authority/conductor Peter McCoppen added informative comment to programs selected for the Network's "Great Composers" series.



**Now you can
tape the best of the
National Film Board's
productions for home
use — legally!**

**Fridays
at 2:00 p.m.**



When the Network invited viewers to videotape 25 of the National Film Board's (NFB) most requested titles as they were telecast, reaction was swift. Some 550 copies of a special "Tape It" broadcast schedule were requested by viewers eager to participate. Many lacked ready access to the outstanding film library held at the NFB's B.C. office. For them, cooperation between the Network and Film Board provided the essential link to some of Canada's finest productions.

Programming Plus

For the first time this year the Network undertook a new method of enhancing learning opportunities offered by general interest programming.

Supplementary reading material was offered for sale in cooperation with the Open Learning Institute. A pilot project in the fall achieved encouraging sales of support reading for the series, "End of Empire".

In the spring semester, books were offered as a complement to the series "Spice of Life", "The Christians", "Oil", and "Loveland". They provided a logical extension of the Network's "programming pyramid" which envisions viewers moving up a ladder of learning, from general interest topics to increasingly challenging, self-directed open learning.



Viewer demand for printed materials prompted establishment of the "Knowledge Network Bookstore" providing extended learning opportunities.



A Year of Achievement.



Project Manager Betty Mitchell and Technician Mike Potter test the educational potential of telewriting equipment.

Teleconferencing

The Knowledge Network also made several important achievements with communications technologies other than public television. Among them was expansion of audio teleconferencing service, using bridge equipment which can link learners in up to 20 sites simultaneously by telephone. Teleconferencing engagements for clients including the University of Victoria, U.B.C., Environment Canada and many community colleges increased 367% from the previous (partial) year of operation.

To assist education professionals in use of this service

the Network developed a new course in cooperation with the Open College Program of the Open Learning Institute. "Bridging the Distance", coordinated by Project Officer Betty Mitchell, was taken by 49 participants in its introductory offering.

Audio Plus

Another dimension of teleconferencing was explored from November 1986 to April 1987 when eight institutions joined the Network in a test of three new technologies for delivery of instruction at a distance. Titled "Audio Plus", the project examined possible

application of voice/computer data, word processing/graphics, and colour images transmitted via telephone circuit.

The trials demonstrated good potential for such technologies for learning, and further study will be conducted. Leadership in such experimental projects is an important facet of the Network's mandate.

Working Network

The Knowledge Network also led a trial project demonstrating effective use of television, teleconferencing and computer-based information systems to link employers, job seekers and the general public. "The Working Network", managed by Megan Carvell, gave government staff in central B.C. easy, consistent access to education and employment training information on behalf of their clients.

Offices in Prince George, MacKenzie and Fort St. James were linked with a computer database listing employment information. Cable television operators in the three centres broadcast related information on community channels and the Knowledge Network produced a special program, "Changing Work" to highlight issues of today's employment climate.

Independent preliminary evaluation of the project found it making progress in achieving its ambitious objectives. At year end, plans to take further demonstration were initiated.

Organizational Achievements

Like the new projects undertaken in 1986-87, day-to-day Network services were provided by many skilled and dedicated people within and outside the organization. They included Network scheduling and operations staff who kept programs flowing each long telecast day and cable television operators who distributed it to viewers. A very special group are the many volunteers in scores of smaller B.C. communities who establish and maintain low power broadcast transmitters in areas lacking cable television service. Each of these groups helped the Network become B.C.'s most comprehensive television distribution service.

Many staff carried additional responsibility during the year as the Network prepared for amalgamation with B.C.'s Open Learning Institute. Plans for orderly meshing of accounting, purchasing, personnel and other functions were made in anticipation of legislation creating an Open Learning Agency (OLA), of which the Network will be a component. Lucille Pacey, General Manager, will represent the Knowledge Network on OLA's five-member Executive Council. Ms. Pacey took office in October 1986, bringing experience in civic and university administration to the Network.

A joint Communications and Corporate Relations Team chaired by Network Executive Director, David Roach, was created to keep learners, staff and the general public informed of organizational changes and new opportunities created.

To prepare for amalgamation the Board of Directors moved to establish a suitable facility for OLA. Public tenders were called and by year end a recommendation was placed before Government.

As an interim step Network administrative and executive offices in Victoria and Vancouver were consolidated. Operations Manager Ron Harrington led two-months of planning to achieve a weekend move to leased premises in downtown Vancouver, with "military precision". Offices were fully operational, including

flowers on every desk, with no working days lost.

Knowledge-West Communications Corporation

In partnership with Rogers Cable TV - British Columbia the Knowledge Network operates a subsidiary, Knowledge-West Communications Corporation. Again this year, the firm operated a closed-circuit cable network servicing educational, health and other government facilities in Greater Vancouver. Video, audio and data traffic were carried to provide interactive instructional and administrative services to teaching hospitals and other facilities.



Catherine Van Soest, Gresham Bradley and Greg Wheeler work behind the scenes to bring good television to Knowledge Network viewers.

The Knowledge Network

Statement of Goals

- To advance the Knowledge Network's high-quality public, educational television service.
- To develop the use of the Knowledge Network for families and children.
- To take the initiative in developing the use of the Knowledge Network for general educational and personal development purposes. In taking these initiatives, the Knowledge Network will seek an educational institution or agency as a co-sponsor in order to provide additional opportunities to promote further participation in the educational system.
- To work cooperatively with ministries of government, colleges, institutes and universities to ensure a planned and system-wide use of telecommunications services as a component in the delivery of diploma, certificate and degree level courses.
- To develop the use of telecommunications through the Knowledge Network by the schools of the province for the benefit of the whole school community.
- To cooperate in the development of a network of local learning centres to enable full utilization of the learning systems available through the telecommunications system of the Knowledge Network.
- To develop and secure a broadened revenue base.
- To secure basic service position on all cable services in British Columbia.
- To secure and occupy adequate accommodation for the Network's telecommunications services.

Auditor's Report

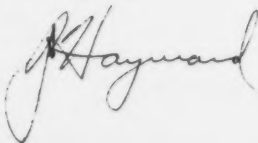
To the Chairman and Members of the Board of the
Knowledge Network of the West Communications
Authority, and

To the Minister of Advanced Education and Job Training
Province of British Columbia:

I have examined the consolidated balance sheet of Knowledge Network of the West Communications Authority as at 31 March 1987 and the consolidated statements of revenue, expenditure and surplus, and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these consolidated financial statements present fairly the financial position of the Authority as at 31 March 1987 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change in the method of accounting for lease agreement, program and tape acquisitions as explained in Note 3 to the financial statements, on a basis consistent with that of the preceding year.

Victoria, British Columbia
15 May 1987



Robert J. Hayward, C.A.
Acting Auditor General

KNOWLEDGE NETWORK OF THE WEST
COMMUNICATIONS AUTHORITY
CONSOLIDATED BALANCE SHEET
as at 31 March 1987

ASSETS	<u>1987</u>	<u>1986</u>
Current assets		
Cash and short-term deposits	\$ 590,944	\$ 479,875
Accounts receivable	56,600	58,466
Prepaid expenses	<u>113,167</u>	<u>11,524</u>
Total current assets	760,711	549,865
Investment and advances (Note 4)	1,369,203	1,562,477
Fixed assets (Note 3 and 5)	<u>520,907</u>	<u>565,548</u>
Total assets	<u><u>\$2,650,821</u></u>	<u><u>\$2,677,890</u></u>
 LIABILITIES AND SURPLUS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 355,512	\$ 364,579
Current portion of deferred revenue	<u>119,806</u>	<u>18,720</u>
Total liabilities	475,318	383,299
Deferred revenue	<u>16,640</u>	<u>24,960</u>
	<u>491,958</u>	<u>408,259</u>
Surplus (Note 6)	<u>2,158,863</u>	<u>2,269,631</u>
Total liabilities and surplus	<u><u>\$2,650,821</u></u>	<u><u>\$2,677,890</u></u>
Agency funds (Note 7)	<u><u>\$ 14,466</u></u>	<u><u>\$ 268,140</u></u>

The accompanying notes are an integral part of these financial statements.

Approved by the Board

Walter S. Handwerker
Director

[Signature]
Director

KNOWLEDGE NETWORK OF THE WEST
COMMUNICATIONS AUTHORITY
CONSOLIDATED STATEMENT OF SURPLUS
for the year ended 31 March 1987

	<u>1987</u>	<u>1986</u>
SURPLUS, beginning of year		
As previously reported	\$3,105,661	\$3,769,799
Write off of licencing agreement, program and tape acquisitions (Note 3)	<u>(836,030)</u>	<u>(580,131)</u>
As restated	2,269,631	3,189,668
EXCESS OF EXPENDITURE OVER REVENUE	<u>110,768</u>	<u>920,037</u>
SURPLUS, end of year	<u><u>\$2,158,863</u></u>	<u><u>\$2,269,631</u></u>

KNOWLEDGE NETWORK OF THE WEST
COMMUNICATIONS AUTHORITY
**CONSOLIDATED STATEMENT OF REVENUE AND
EXPENDITURE**

For the year ended 31 March 1987

REVENUE	<u>1987</u>	<u>1986</u>
Province of British Columbia		
Operating grants	\$3,776,000	\$3,654,466
Fund for Excellence grants	1,000,000	—
Special grants	185,313	55,050
Government of Canada grant	40,000	—
Fees and rentals	116,586	101,127
Interest	51,060	38,237
Miscellaneous	<u>19,492</u>	<u>20,522</u>
	<u>5,188,451</u>	<u>3,869,402</u>
EXPENDITURE		
Administration	1,100,106	1,036,863
Program development and acquisition	992,698	865,284
Network operations	2,050,218	1,939,830
Public affairs	350,390	301,976
Special projects	<u>314,587</u>	<u>—</u>
	<u>4,807,999</u>	<u>4,143,953</u>
Excess (deficiency) of revenue over expenditure before depreciation and amortization, and share of deficit in joint venture	380,452	(274,551)
Depreciation and amortization	<u>238,211</u>	<u>359,469</u>
	142,241	(634,020)
Share of deficit in joint venture	<u>253,007</u>	<u>286,017</u>
Excess of Expenditure over Revenue	<u><u>\$ 110,768</u></u>	<u><u>\$ 920,037</u></u>

KNOWLEDGE NETWORK OF THE WEST
COMMUNICATIONS AUTHORITY
**CONSOLIDATED STATEMENT OF CHANGES IN
FINANCIAL POSITION**

For the year end 31 March 1987

	<u>1987</u>	<u>1986</u>
CASH FROM OPERATIONS		
Excess of expenditure over revenue	\$(110,768)	\$(920,037)
Items not involving cash:		
Depreciation and amortization	238,211	359,469
Deficit of subsidiary	253,007	286,017
Gain on disposal of fixed asset	—	(5,500)
Write-down of investment	16,180	1,545
Cash generated from (used for) operations before changes in operating working capital	396,630	(278,506)
Changes in operating working capital		
Accounts receivable	1,866	(2,317)
Prepaid expenses	(101,643)	(1,524)
Accounts payable and accrued liabilities	(9,067)	275,585
Current portion of deferred revenue	101,087	10,400
Cash provided by operating activities	388,873	3,638
FINANCING ACTIVITIES		
Deferred revenue	(8,320)	(8,320)
INVESTMENT ACTIVITIES		
Fixed asset additions	(193,573)	(89,886)
Proceeds from sale of fixed assets	—	42,578
Investment in joint venture	(75,911)	(77,623)
Cash used in investment activities	(269,484)	(124,931)
INCREASE (DECREASE) IN CASH	111,069	(129,613)
CASH, beginning of year	479,875	609,488
CASH, end of year	\$590,944	\$479,875

KNOWLEDGE NETWORK OF THE WEST COMMUNICATIONS AUTHORITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 1987

1. Nature of the Authority

The Authority was incorporated on 29 May 1980 under the provisions of the Society Act of British Columbia. The objects of the Authority are to assist and collaborate with universities, colleges, provincial institutes, school districts, ministries and agencies of the Province of British Columbia in the development and delivery of educational programs and materials, and to establish, maintain and operate a telecommunication network.

2. Significant accounting policies

a) Principles of consolidation

The accounts of the Authority are consolidated with those of its wholly-owned subsidiary Knowledge-West Communications Corporation. All inter-company transactions have been eliminated in these consolidated financial statements.

The investment by Knowledge-West Communications Corporation in a joint venture, Knowledge West Partnership, has been accounted for in these financial statements on an equity basis.

b) Depreciation and amortization

The Authority records fixed assets at cost and depreciates or amortizes them using the straight line method over their estimated useful life as follows:

Furniture and equipment	Over ten years
Earth stations	Over five years
Network equipment	Over five years
Leasehold improvements	Term of lease

Programs, tapes and licence agreements are expensed in the year of acquisition.

3. Change in accounting policy

As of 1 April 1986, the Authority changed its accounting policy concerning programs, tapes and licence agreements. Prior to this date these items were capitalized with programs and tapes being written off over five years and leasehold agreements being written off over the term of the agreement. Effective 1 April 1986 the Authority is expensing these costs in the year of acquisition as no significant value can be attributed to these acquisitions after the initial broadcast year.

As a result of this change, which has been applied retroactively, both surplus and the net book value of assets have been decreased by \$836,030 as at 1 April 1986 and by \$580,131 as at 1 April 1985. Had the Authority not made the change in accounting policy, expenditures for the year would have decreased by \$80,786 (1986-\$255,899) and both surplus and the net book value of assets would have increased by similar amounts.

4. Investment and advances

a) Details of the investment in a joint venture, Knowledge West Partnership, accounted for on an equity basis are as follows:

	<u>1987</u>	<u>1986</u>
Advances	\$2,254,653	\$2,178,740
Accumulated deficit	(885,450)	(632,443)
	<u>\$1,369,203</u>	<u>\$1,546,297</u>
b) Advance to Discovery Satellite Network Incorporated	—	16,009
c) Investment in Pacific Economic Review Institute Society	—	171
	<u>\$1,369,203</u>	<u>\$1,562,477</u>

4. Investment and advances — Continued

Summary financial information relating to the proportionate share of the joint venture is as follows:

	<u>1987</u>	<u>1986</u>
Current assets	\$ 7,275	\$ 4,766
Fixed assets	<u>1,369,692</u>	<u>1,556,680</u>
	<u>1,376,967</u>	<u>1,561,446</u>
Current liabilities	<u>7,764</u>	<u>15,149</u>
Equity	<u>\$1,369,203</u>	<u>\$1,546,297</u>
Expenditures	\$ 56,869	\$ 90,794
Depreciation	<u>196,138</u>	<u>195,223</u>
	<u>\$ 253,007</u>	<u>\$ 286,017</u>

Since its inception, the partnership has had no revenue.

The advances have no fixed terms of repayment and bear no interest.

5. Fixed assets

	<u>Cost</u>	<u>Accumulated depreciation/ amortization</u>	<u>1987 Net book value</u>	<u>1986 Net book value</u>
Furniture & equipment	\$ 392,943	\$ 146,369	\$ 246,574	\$ 231,408
Earth stations	84,131	84,130	1	1
Network equipment	1,570,827	1,296,495	274,332	326,914
Leasehold improvements	<u>210,007</u>	<u>210,007</u>	<u>—</u>	<u>7,225</u>
	<u>\$2,257,908</u>	<u>\$1,737,001</u>	<u>\$ 520,907</u>	<u>\$ 565,548</u>

6. Surplus

Surplus substantially represents funding received from the Provincial Government which has been used for the acquisition of fixed assets and for making advances to the subsidiary company.

7. Agency funds

The Authority holds funds on behalf of the Open University Consortium of British Columbia for travel and administration.

During the year the subsidiary company, Knowledge-West Communications Corporation, disbursed agency funds of \$268,140 under the provision of the Deed of Release dated November 28, 1986.

8. Commitments

a) At 31 March 1987, the Authority had outstanding commitments of \$168,558 (1986-\$12,905) for approved projects and programs.

b) The minimum annual contractual obligations of operating leases are as follows:

1988	\$135,971	1989	\$126,253	1990	\$112,761
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9. Subsequent event

During the 1986 Spring session of the British Columbia Legislature, the Government introduced the Open Learning Authority Act (Bill 31). The bill received first reading, but failed to receive second and third readings prior to the dissolution of the House. The Act was to have provided for dissolution of the Knowledge Network of the West Communications Authority and the Open Learning Institute, and the transfer of all property, rights, debts and obligations of these entities to the Open Learning Authority. The Government has advised it intends to introduce a bill similar in intent during the current session of the Legislature.

10. Comparative figures

Certain 1986 figures have been restated in order to conform with financial statement presentation adopted in 1987.

Auditor's Report

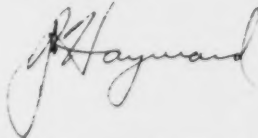
To the Chairman and Members of the Board of the
Knowledge-West Communications Corporation, and

To the Minister of Advanced Education and Job Training
Province of British Columbia:

I have examined the balance sheet of Knowledge-West Communications Corporation as at 31 March 1987 and the statements of revenue, expenditure and deficit, and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at 31 March 1987 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Victoria, British Columbia
15 May 1987

A handwritten signature in dark ink, appearing to read "R. Hayward", with a stylized flourish at the end.

Robert J. Hayward, C.A.
Acting Auditor General

KNOWLEDGE-WEST COMMUNICATIONS CORPORATION
BALANCE SHEET
as at 31 March 1987

ASSETS	<u>1987</u>	<u>1986</u>
Current assets		
Cash	\$ 7,924	\$ 25,416
Accounts receivable	<u>4,858</u>	<u>1,980</u>
Total current assets	12,782	27,396
Investment in joint venture (Note 3)	<u>1,369,203</u>	<u>1,546,297</u>
Fixed assets (Note 4)	<u>33,062</u>	<u>50,998</u>
Total assets	<u>\$1,415,047</u>	<u>\$1,624,691</u>

LIABILITIES AND SHAREHOLDER'S DEFICIENCY

Current liabilities		
Accounts payable and accrued liabilities	\$ 5,276	\$ 15,693
Current portion of deferred revenue	<u>8,320</u>	<u>8,320</u>
Total current liabilities	13,596	24,013
Deferred revenue	16,640	24,960
Advance from Knowledge Network of the West Communications Authority (Note 5)	<u>2,331,492</u>	<u>2,331,492</u>
	<u>\$2,361,728</u>	<u>\$2,380,465</u>
Shareholder's deficiency		
Share capital (Note 6)	3,965	3,965
Deficit	<u>(950,646)</u>	<u>(759,739)</u>
	<u>(946,681)</u>	<u>(755,774)</u>
Total liabilities and shareholder's deficiency	<u>\$1,415,047</u>	<u>\$1,624,691</u>
Agency funds (Note 8)	<u>\$ —</u>	<u>\$ 268,140</u>

The accompanying notes are an integral part of these financial statements.

Approved by the Board

Walter G. Hardwick
Director

Ed Hallowell
Director

KNOWLEDGE-WEST COMMUNICATIONS CORPORATION
STATEMENT OF REVENUE, EXPENDITURE AND DEFICIT
For the year ended 31 March 1987

REVENUE	<u>1987</u>	<u>1986</u>
Grants - Province of British Columbia	\$ 120,000	\$ 120,000
User fees	\$18,364	\$19,895
Interest	15,173	5,837
Other	1,124	4,800
	<u>154,661</u>	<u>150,532</u>
 EXPENDITURE		
Administration (Note 7)	—	6,638
Commissions	2,634	3,432
Consulting	34,050	27,468
Engineering and installation	7,374	—
Legal	1,996	5,441
Maintenance	9,031	7,772
Microwave charges	—	10,535
Miscellaneous	813	1,237
Office Supplies	1,290	—
Rent	4,400	—
Telephone	3,963	8,588
Travel	874	118
	<u>66,425</u>	<u>71,229</u>
Excess of revenue over expenditure before depreciation and share of deficit in joint venture	88,236	79,303
Depreciation	26,136	28,807
	<u>62,100</u>	<u>50,496</u>
Share of deficit in joint venture	253,007	286,017
EXCESS OF EXPENDITURE OVER REVENUE	190,907	235,521
DEFICIT, BEGINNING OF YEAR	759,739	524,218
DEFICIT, END OF YEAR	<u>\$ 950,646</u>	<u>\$ 759,739</u>

KNOWLEDGE-WEST COMMUNICATIONS CORPORATION
STATEMENT OF CHANGES IN FINANCIAL POSITION

For the year end 31 March 1987

CASH FROM OPERATIONS	<u>1987</u>	<u>1986</u>
Excess of expenditure over revenue	\$(190,907)	\$(235,521)
Items not involving cash:		
Depreciation	26,136	28,807
Share of deficit in joint venture	<u>253,007</u>	<u>286,017</u>
Cash generated from operations before changes in operating working capital	88,236	79,303
Changes in operating working capital		
Accounts receivable	(2,878)	1,380
Accounts payable and accrued liabilities	<u>(10,417)</u>	<u>14,151</u>
Cash generated from operations	<u>74,941</u>	<u>94,834</u>
FINANCING ACTIVITIES		
Deferred revenue	(8,320)	(8,320)
Repayment of advance	<u>—</u>	<u>(26,543)</u>
Cash used in financing activities	<u>(8,320)</u>	<u>(34,863)</u>
INVESTMENT ACTIVITIES		
Fixed asset additions	(8,200)	(1,032)
Investment in joint venture	(75,913)	(77,623)
Proceeds from sale of fixed assets	<u>—</u>	<u>37,078</u>
Cash used in investment activities	<u>(84,113)</u>	<u>(41,577)</u>
INCREASE (DECREASE) IN CASH	(17,492)	18,394
CASH, beginning of year	<u>25,416</u>	<u>7,022</u>
CASH, end of year	<u>\$ 7,924</u>	<u>\$ 25,416</u>

KNOWLEDGE-WEST COMMUNICATIONS CORPORATION
NOTES TO FINANCIAL STATEMENTS
For the year ended 31 March 1987

1. Nature of Corporation

The company was incorporated on 2 March 1981 under the provisions of the Company Act of British Columbia. Its purpose is to own and operate, on behalf of Knowledge Network of the West Communications Authority, a closed-circuit cable network servicing educational, health and other government facilities.

2. Continuing Operations

These financial statements have been prepared on a going concern basis which assumes that the Corporation will be able to discharge its liabilities through its operations.

The continuing operations of the Corporation are dependent upon its ability to obtain sufficient funding and to operate profitably.

3. Investment in joint venture

The Corporation has entered into a joint venture, Knowledge West Partnership, with Rogers Cable TV — British Columbia Limited to construct and operate an educational telecommunications network. The Corporation contributes 60% of the cable plant costs and 100% of the equipment costs.

Since its inception, the partnership has had no revenue. Details of the investment in the joint venture, which is accounted for on an equity basis are as follows:

	<u>1987</u>	<u>1986</u>
Advances	\$2,254,653	\$2,178,740
Accumulated deficit	<u>(885,450)</u>	<u>(632,443)</u>
	<u>\$1,369,203</u>	<u>\$1,546,297</u>

Summary financial information relating to the Corporation's proportionate share of the joint venture is as follows:

	<u>1987</u>	<u>1986</u>
Current assets	\$ 7,275	\$ 4,766
Fixed assets	<u>1,369,692</u>	<u>1,556,680</u>
	1,376,967	1,561,446
Current liabilities	<u>7,764</u>	<u>15,149</u>
Equity	<u>\$1,369,203</u>	<u>\$1,546,297</u>
Expenditures	\$ 56,869	\$ 90,794
Depreciation	<u>196,138</u>	<u>195,223</u>
	<u>\$ 253,007</u>	<u>\$ 286,017</u>

4. Fixed assets

	Cost	Accumulated depreciation	1987 Net book value	1986 Net book value
Network equipment	\$ 130,678	\$ 97,616	<u>\$ 33,062</u>	<u>\$ 50,998</u>

The Corporation records network equipment at cost and depreciates the equipment using the straight line method over the estimated useful life of five years.

5. Advance

The advance from Knowledge Network of the West Communications Authority has no fixed terms of repayment and bears no interest.

6. Share capital

Authorized	1987	1986
Class A - 1,000 voting shares, par value \$1		
Class B - 1,000 voting shares, par value \$1		
Class 3 - 4,000,000 non-voting shares without par value		
Issued and fully paid		
Class A - 1,000 shares	\$1,000	
Class B - 1,000 shares	1,000	
Class C - 1,965,000 shares	1,965	
	<u>\$3,965</u>	<u>\$3,965</u>

7. Administration

The parent, Knowledge Network of the West Communications Authority, provides certain staff, facilities, and other administrative services for the Corporation at no charge. The cost of providing these services for the year ended 31 March 1987 amounted to approximately \$42,500 (1986-\$56,638).

8. Agency funds

The agency funds were disbursed during the year under the provisions of the Deed of Release dated 28 November 1986.

9. Commitments

The Corporation has commitments to the joint venture, Knowledge West Partnership, for maintenance and space rental of the cable system. These commitments will amount to approximately \$71,500 during the next fiscal year.

10. Losses for income tax purposes

The Corporation has claimed losses for income tax purposes to be carried forward and applied against income for tax purposes in future years. Their availability will expire in 1994. Due to the uncertainty as to the extent of future earnings against which these losses may be applied, no provision for the potential tax benefit has been made.

11. Comparative figures

Certain 1986 figures have been restated in order to conform with the financial statement presentation adopted in 1987.